



1730 K Street, N.W. • Suite 800  
Washington, DC 20006  
202-653-7220 • Fax: 202-653-7238  
Website: [www.medpac.gov](http://www.medpac.gov)

Gail R. Wilensky, Ph.D., Chair  
Joseph P. Newhouse, Ph.D., Vice Chair  
Murray N. Ross, Ph.D., Executive Director

January 31, 2001

Administrator  
Health Care Financing Administration  
Department of Health and Human Services  
Attention HCFA-1069-P  
Room 443-G  
Hubert H. Humphrey Building  
200 Independence Avenue, SW  
Washington DC 20201

Re: File code HCFA-1069-P

Dear Administrator:

The Medicare Payment Advisory Commission welcomes the opportunity to comment on the Health Care Financing Administration's (HCFA) proposed rule entitled *Medicare Program; Prospective Payment System for Inpatient Rehabilitation Facilities; Proposed Rule*, 65 Fed. Reg. 66304 (November 3, 2000). We commend you and your staff on the timely development of a complex payment system.

The Commission supports implementation of the prospective payment system (PPS) described in the rule. However, we have three concerns. The first issue is the patient assessment instrument. The second issue concerns the high cost outlier policy. The third issue is the disproportion share (DSH) adjustment. Two of these issues need to be addressed prior to implementation. These concerns are described briefly below and, in more detail, in our Report to Congress, which will be published March 2001.

**The patient assessment instrument:** The Commission recommends that HCFA use the Functional Independence Measure (FIM) as the patient assessment tool for the inpatient rehabilitation PPS. The case-mix classification system, the functional independence measure-function related groups (FIM-FRG), was developed and tested using primarily items from the FIM, a tool routinely used by at least 70 percent of rehabilitation facilities. Some facilities have used the instrument for ten years or more.

The Commission believes that patient assessments should be simple and parsimonious and that items not used for payment or quality should not be required. The FIM meets those criteria. In contrast, the Minimum Data Set for Post-Acute Care (MDS-PAC) is a new 400+ item instrument that does not meet our criteria. It would impose an undue data collection burden on rehabilitation facilities and short term disruption to beneficiaries and providers.

The high cost outlier policy: The Commission recommends that HCFA implement a high cost outlier policy of 5 percent and study whether a different percentage policy is needed. The Commission is concerned about both small facilities' financial risk and high cost patients, who may face problems of obtaining access to care or stinting on care once they are in a facility.

The disproportionate share adjustment: The Commission recommends that HCFA reexamine the DSH adjustment. We believe this adjustment is larger than appropriate and that HCFA needs to reexamine the methods underlying it. HCFA also needs to determine whether there are strong clinical reasons for the differences in costs for low-income patients and others and whether the magnitude of the differences are plausible given the understanding of those clinical differences.

We appreciate your staff's careful design of the inpatient rehabilitation prospective payment system. We recognize that designing such a complex system in a short amount of time is particularly difficult in the context of competing demands on the agency.

Sincerely,

Gail R. Wilensky, Ph.D.  
Chair